

Message Text

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ACTION EUR-12

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ICAE-00 AF-10 AID-05 CEA-01 CIAE-00 COME-00 EB-08
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O 101610Z MAY 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 1874
INFO AMCONSUL ADANA
AMCONSUL IZMIR
AMCONSUL ISTANBUL
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 ANKARA 3621
USOECN
PASS TREASURY, EXPORT-IMPORT BANK

E.O. 11652: GDS
TAGS: EFIN, OECD, TU
SUBJECT: TURKISH GOVERNMENT POSITION FOR DEBT RESCHEDULING
MEETINGS, PARIS, MAY 17-19

SUMMARY. TURKS CONTINUE TO RESIST DEBT RESCHEDULING UNDER PARIS CLUB PROCEDURES. IN MEETING WITH ECONOMIC COUNSELOR MAY 9, DIRECTOR GENERAL OF TREASURY FOR FOREIGN FINANCING PROVIDED ARGUMENTS FOR TURKISH POSITION. DIRECTOR GENERAL HELD THAT PARIS CLUB PROCEDURES DO NOT APPLY TO TURKEY'S "SPECIAL CASE": (A) REQUIREMENT BY IMF THAT GOT PRESENT SCHEDULE BY NOVEMBER 1 FOR ELIMINATION OF ARREARS; AND (B), PECULIAR TO TURKEY, A LARGE BURDEN OF COMMERCIAL ARREARS NOT GUARANTEED BY GOVERNMENTS WHICH MUST BE TAKEN INTO ACCOUNT IN THAT SCHEDULE. TURKEY LOOKS TO CONSORTIUM TO HELP IT TO MEET IMF REQUIREMENT. END SUMMARY.

1. DIRECTOR GENERAL OF TREASURY FOR FOREIGN FINANCING, AYSEL OYMEN, CALLED IN ECONOMIC/COMMERCIAL COUNSELOR MAY 9 TO STATE
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TURKISH REACTION TO DRAFT MANDATE PREPARED AT APRIL 28 MEETING OF OECD CONSORTIUM FOR TURKEY AND TO PRESENT TURKISH VIEWS ON PROCEDURAL AND SUBSTANTIVE ISSUES RELATING TO MEETINGS OF MAY 17-19.

2. AD HOC GROUP. GOT IS AGAINST USE OF TERM "AD HOC GROUP" IN MANDATE. CONSORTIUM HAS NOTHING TO DO AT THE MOMENT EXCEPT DEBT RESCHEDULING, OYMEN REMARKED. IT HAS EXPERIENCE IN THIS AREA.

IT IS THEREFORE APPROPRIATE FORUM FOR SUCH A DISCUSSION. IF CONSORTIUM MEMBERS INSIST THAT SEPARATE GROUP ARRANGE THE RESCHEDULING, GROUP SHOULD BE CALLED A "WORKING PARTY" AND OPERATE UNDER ESTABLISHED OECD RULES. MANDATE SHOULD SO STATE.

3. CHAIRMANSHIP OF FRANCE. TURKS DO NOT WANT REFERENCE IN MANDATE TO "CHAIRMANSHIP OF FRANCE". THEY WOULD ACCEPT "CHAIRMANSHIP OF ONE OF THE MEMBERS OF THE CONSORTIUM". TURKS ARE NOT UNFRIENDLY TO FRANCE IN EXPRESSING THIS WISH OR UNWILLING TO ACCEPT A FRENCH CHAIRMAN. IF THERE IS A FRENCH CHAIRMAN, THEY WOULD PREFER SOMEONE NOT PREVIOUSLY ASSOCIATED WITH PARIS CLUB RESCHEDULINGS.

4. ESTABLISHED CREDITOR CLUB PROCEDURES. TURKS DO NOT WANT REFERENCE IN MANDATE TO "ESTABLISHED CREDITOR CLUB PROCEDURES". THIS PHRASE, PLUS REFERENCE TO A FRENCH CHAIRMAN, ANNOUNCES A PARIS CLUB PROCEEDING UNDER OECD, IN THEIR VIEW.

5. OYMEN SAID THAT PARIS CLUB PROCEEDINGS APPEAR NOT TO APPLY TO "SPECIAL CASE" OF TURKEY. ALTHOUGH SHE HAS BEEN UNABLE TO FIND ANY WRITTEN DESCRIPTION OF PARIS CLUB PROCEDURES AND THEREFORE WOULD WONDER WHETHER THESE ARE INDEED "ESTABLISHED", SHE HAS EXAMINED TERMS OF PARIS CLUB RESCHEDULING WORKED OUT IN CASE OF ZAIRE. SHE FOUND CONDITIONS TO BE INAPPLICABLE TO TURKISH SITUATION. FOR EXAMPLE, ZAIRE RESCHEDULING, TO BE ARRANGED YEAR BY YEAR, TREATED ONLY DEBTS OWED TO GOVERNMENT OR GUARANTEED BY GOVERNMENTS, WITH ORIGINAL MATURITIES OF OVER ONE YEAR. TURKEY WANTS TO
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INCLUDE IN THE RESCHEDULING DEBTS OF LESS THAN ONE YEAR AND IT ALSO WANTS TO INCLUDE ARREARAGES NOT GUARANTEED BY GOVERNMENTS.

6. OYMEN WAS, IN FACT, UNCLEAR WHETHER CONSORTIUM GROUP WOULD CONSIDER ARREARS AT ALL. GOT, SHE SAID, MUST PRESENT TO IMF BY NOVEMBER 1, 1978, AN ACCEPTABLE SCHEDULE FOR ELIMINATION OF ARREARS. A RESCHEDULING OF DEBTS DUE ONE YEAR AT A TIME AND ONE THAT DOES NOT TREAT ARREARS, INCLUDING ARREARS NOT GUARANTEED BY GOVERNMENTS, WILL NOT SATISFY IMF REQUIREMENT.

7. INSISTENCE BY CONSORTIUM GROUP ON RESCHEDULING A YEAR AT A TIME WOULD EXTEND THE RESCHEDULING MEETINGS OVER A LONG PERIOD AND COULD JEOPARDIZE TURKEY'S NEGOTIATIONS, NOW WELL ADVANCED, WITH PRIVATE BANKS FOR RESCHEDULING OF BANK CREDITS AND FOR NEW MONEY.

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8. OYMEN ALSO THOUGHT THAT TERMS SHOULD BE ROUGHLY COMPARABLE AS BETWEEN PRIVATE BANKS AND GOVERNMENTS. BANKS ARE WILLING TO PROVIDE THREE-YEAR GRACE PERIOD AND FOUR-YEAR REPAYMENT PERIOD. GOT HOPES THAT GOVERNMENTS WILL DO ROUGHLY AS WELL.

9. REFERENCE IN MANDATE TO IMF AGREEMENT. GOT WANTS RETAINED IN MANDATE A REFERENCE TO THE TURKISH STANDBY AGREEMENT WITH THE IMF ("HAVING REGARD TO POLICY UNDERSTANDING REACHED BY TURKEY WITH THE IMF"). IMF REQUIREMENT THAT TURKEY PRESENT A RESCHEDULING PLAN BY NOVEMBER 1 WILL NEED, IF IT IS TO BE MET, CONCERTED ACTION FROM PRIVATE BANKS, INTERNATIONAL FINANCIAL INSTITUTIONS AND GOVERNMENTS, OYMEN SAID. REFERENCE WILL REMIND ALL PARTIES THAT DEBT RESCHEDULING MUST BE COMPLETED BY NOVEMBER 1. TURKEY, SHE SAID, ATTACHES GRAVE IMPORTANCE TO MEETING THIS DEADLINE.

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10. EMBASSY'S RESPONSE. ECONOMIC COUNSELOR, IN RESPONSE, GAVE OYMEN FRANK DESCRIPTION OF US POSITIONS AS EXPRESSED AT APRIL 28 MEETING. ON QUESTION OF PARIS CLUB, SHE EXPLAINED THAT USG SHARED STRONG DESIRE SEEN ALL AROUND THE TABLE FOR USE OF CREDITOR CLUB PROCEDURES AND SUGGESTED THAT TURKS WOULD BE UNLIKELY TO FIND CHANGE OF SENTIMENT ON THIS POINT NEXT WEEK. COUNSELOR EXPLAINED REASONS FOR FIRMNESS OF THIS VIEW.

CONSORTIUM MEMBERS WERE CONCERNED THAT THEY SHOULD GIVE SAME TREATMENT TO TURKEY AS TO OTHER COUNTRIES ASKING FOR RESCHEDULING AND NOT APPEAR TO FAVOR OECD MEMBER OVER NON-OECD COUNTRIES. THEY FEARED WEAKENING THEIR NEGOTIATING POSITION IN NORTH/SOUTH DIALOGUE IN FAVOR OF USE OF CREDITOR CLUB RULES IN "ACUTE" CASES, IF THEY WERE TO GIVE TURKEY SPECIAL TREATMENT. FURTHERMORE, CONGRESS WAS KEENLY INTENT THAT RESCHEDULING SHOULD NOT BE CONFUSED WITH AID. COUNSELOR INDICATED THAT US WOULD BE WILLING TO DELETE REFERENCE TO "ESTABLISHED CREDITOR CLUB PROCEDURES" IF IT WERE CLEARLY UNDERSTOOD THAT THESE WOULD, IN FACT, APPLY, AND EXPRESSED HOPE THAT THERE MIGHT BE SOME POSSIBILITY OF SUCH A COMPROMISE AT MEETING. SHE EXPLAINED IN DETAIL REASONS WHY USG WOULD FIND IT DIFFICULT TO CONSIDER RESCHEDULING OF PRIVATE DEBT THAT IT HAD NOT GUARANTEED. SHE ADDED THAT APRIL 28 MEETING HAD DEALT WITH PROCEDURAL MATTERS AND THAT TECHNICAL MATTERS HAD NOT BEEN DISCUSSED.

11. COMMENT. WASHINGTON SHOULD BE AWARE THAT TURKEY DOES, INDEED, HAVE A SERIOUS PROBLEM AHEAD OF IT IN MANAGING REPAYMENT OF NONGUARANTEED COMMERCIAL ARREARS, WHICH MAY AMOUNT TO \$1 BILLION. GOT'S INABILITY TO COME UP WITH A SCHEDULE FOR SUCH DEBT BY NOVEMBER 1 COULD JEOPARDIZE FURTHER IMF DISBURSEMENTS AND NEW PRIVATE CREDITS. NOT LEAST OF EMBASSY'S CONCERN IS FACT THAT SOME SUBSTANTIAL PORTION OF THIS AMOUNT IS OWED TO AMERICAN COMPANIES. SINCE THIS CATEGORY OF INDEBTEDNESS EXCLUDES PETROLEUM ARREARS, AMOUNT OWED TO US COULD BE CONFIDENTIAL

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SIDERABLY HIGHER THAN WHAT MIGHT ROUGHLY BE ASSUMED ON BASIS OF OUR EIGHT-PERCENT SHARE OF TURKEY'S IMPORT MARKET.
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